

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-02 PRS-01 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00

XMB-04 OPIC-06 LAB-04 SIL-01 ITC-01 /100 W

----- 021292

R 162301Z AUG 76

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 1420

INFO AMEMBASSY BOGOTA

AMEMBASSY CARACAS

AMEMBASSY LA PAZ

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

UNCLAS LIMA 7443

EO 11652: NA

TAGS: ECIN, BL,CI,CO,EC,PE,VE

SUBJ: ANDEAN PACT- OTHER ANDEAN PACT MEMBERS OFFER

COMPROMISE TO CHILE

REF: LIMA 7271

1. PRESS HERE REPORTS THAT IN THREE DAYS OF CLOSED MINISTERIAL LEVEL MEETINGS IN COLOMBIA, THE FIVE-COUNTRY ANDEAN PACT MAJORITY PRODUCED A SERIES OF PROPOSED CHANGES IN DECISION 24 IN RESPONSE TO CHILE'S DEMANDS FOR BASIC REFORM. THE PROPOSALS WERE SUMMARIZED IN THE "DECLARACION DE BOYACA" WHICH WAS THEN PRESENTED TO THE CHILEAN AMBASSADOR IN BOGOTA. NO CHILEAN REPRESENTATIVE ATTENDED THE MEETINGS.

2. THE PACKAGE REPORTEDLY OFFERED TO CHILE INCLUDES AN INCREASE FOR 14 TO 20 PERCENT IN THE PROFIT THAT MAY BE REMITTED BY FOREIGN INVESTORS, AN INCREASE IN THE AMOUNT THAT CAN BE AUTOMATICALLY REINVESTED FROM 5 TO 7 PERCENT,
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CHARACTERIZATION OF INVESTMENTS BY OTHER MEMBERS AS "NATIONAL"

CAPITAL, AND CHARACTERIZATION OF INVESTMENT BY CERTAIN INTERNATIONAL ENTITIES AS "NEUTRAL" CAPITAL. SPECIFIC PROPOSALS FOR A LOWER COMMON EXTERNAL TARIFF WERE NOTABLY ABSENT FROM THE DECLARATION. INSTEAD THERE IS ONLY REFERENCE TO IMPORTANT AGREEMENTS REACHED ON THE SUBJECT WHICH WOULD ASSURE AN ADEQUATE LEVEL OF PROTECTION WHILE SEEKING GREATER EFFICIENCY.

3. THE GROUP NOT ONLY AGREED TO RAISE THE LIMIT ON REPATRIATED PROFITS TO 20 PERCENT, BUT ALSO TO ALLOW COMPETENT NATIONAL AUTHORITIES TO SET EVEN HIGHER LIMITS. IN REMARKS TO THE PRESS HERE ON HIS RETURN, MINISTER OF INTEGRATION JORGE DUBOIS GERVAZI SAID THE LATTER PROVISION WAS INTENDED FOR SPECIAL CASES IN WHICH A COUNTRY THINKS IT MUST STIMULATE PRODUCTION IN A CERTAIN SECTOR. SUCH CASES MUST BE REPORTED TO THE PACT COMMISSION.

4. DUBOIS ALSO ELABORATED ON THE TREATMENT OF REGIONAL CAPITAL AS NATIONAL CAPITAL. HE SAID THAT REGIONAL INVESTMENTS WOULD NOT BE REQUIRED TO TRANSFORM THEMSELVES INTO NATIONALLY OWNED ENTERPRISES, BUT THAT THEY WOULD BE SUBJECT TO THE RULES FOR REMISSION OF PROFITS AND EXPORTATION OF CAPITAL CONTAINED IN DECISION 24.

5. ACCORDING TO THE DECLARATION, THE TERM "NEUTRAL CAPITAL" APPLIES TO INVESTMENTS BY INTERNATIONAL PUBLIC FINANCIAL ENTITIES IN WHICH THE PACT COUNTRIES ARE PARTICIPANTS. IT ALSO APPLIES TO OTHER PUBLIC FINANCIAL ENTITIES SPECIALIZING IN ECONOMIC DEVELOPMENT. THE DECLARATION SAYS THE GROUP AGREED TO CONSIDER SPECIAL TREATMENT FOR LATIN AMERICAN CAPITAL FOR JOINT DEVELOPMENT PROJECTS AND TO MAKE MORE PRECISE THE RULES FOR INVESTMENT IN MIXED ENTERPRISES. DUBOIS ADDED THAT THESE ITEMS HAD BEEN TURNED OVER TO THE JUNTA FOR STUDY AND RECOMMENDATIONS.

6. COMMENT: THE FIVE HAVE NOW TAKEN A MAJOR STEP TOWARDS MEETING THE DEMANDS OF CHILE WITHOUT SCRAPPING UNDERLYING PACT CONCEPTS. THE 20 PERCENT MAXIMUM ON REMITTED PROFITS MAY BE HIGH ENOUGH NOT TO DISCOURAGE INVESTMENT, AND IF NOT THE PROVISION FOR EVEN HIGHER UNILATERAL RATES WOULD SEEM UNCLASSIFIED

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TO PROVIDE CHILE THE FREEDOM TO OFFER WHATEVER IS DEEMED DESIRABLE. HOWEVER, THE GROUP APPARENTLY IS NOT READY TO CONSIDER REMOVING THE "TRANSFORMATION" REQUIREMENT AND THERE IS PROBABLY STILL A WIDE DISPARITY ON THE COMMON EXTERNAL TARIFF.
SMITH

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